



REPORT TO MAYOR AND COUNCIL

NO: 03-257

July 22, 2003

SUBJECT: Establish First-Time Homebuyer Support Program and Budget Modification Number 6

REPORT IN BRIEF

This report recommends Council approve Budget Modification No. 6 to appropriate funds from the BMR In-Lieu fee reserve (Housing Fund) for implementation of the homebuyer education and homeownership assistance components of the City's First-Time Homebuyer Support Program described in the Community Development Strategy (CD Strategy). Implementation of the program includes the addition of a permanent full-time position of Housing Program Analyst and contract services to provide homebuyer educational programs to assist qualified renters (generally at or below 80 percent of median income), and target those renters in existing BMR apartments with expiring restrictions. The primary goal of the program is to move BMR renters into first-time homeownership. Detailed program descriptions including eligibility and loan terms for implementation of Independent Development Accounts (IDA) and Down Payment Assistance Loans will be developed and brought for Council consideration on or about January 2004.

BACKGROUND

The City of Sunnyvale has historically been pro-active on the issue of affordable housing and currently supports affordable housing and homeownership in a number of ways. Past actions by the City to support homeownership by low and moderate income households include: adoption of a condominium conversion ordinance, contributions to the Santa Clara County Housing Trust Fund's program for down payment loans to first-time homebuyers, Mortgage Credit Certificates and CASA second loans for first-time homeowners, creation of the Housing for Teachers and City Employees program, and increasing the supply of Below Market Rate (BMR) ownership units by Ordinance on February 4, 2003. Nonetheless, high cost housing in the region has caused concern about low and moderate-income households' ability to attain homeownership in Sunnyvale.

The goals of the CD Strategy were confirmed by the City Council on October 22, 2002 and January 14, 2003. The CD Strategy identified community development programs to be implemented over the next five years. These

Issued by the City Manager

program "tools" are designed to accomplish the goals as outlined in the CD Strategy. One of the primary housing goals over the next five years is "Homeownership: to encourage households to invest in the city and its neighborhoods through homeownership." There has been a constant drop in the rate of homeownership in Sunnyvale, from 51.0% in 1980 to 47.6% in 2000. Therefore, the City has determined that it is important to promote opportunities for homeownership and to extend these opportunities to low and moderate-income families. A very special problem in housing affordability in Sunnyvale is the potential loss of "at risk" affordable units. The CD Strategy states that 614 housing units which are currently affordable could be lost through conversion to market-rate units: over the next five years, affordable contracts will expire for 390 federally subsidized rental units and rental restrictions on 224 below market rate rental units.

The CD Strategy seeks to build on the current programs and to assist vulnerable renters in "at risk" units to become homeowners. The proposed innovative program includes homebuyer education activities (both before and after the purchase), Independent Development Accounts (IDAs) with matching funds to down payment savings accounts to build up funds for home purchases, and down payment assistance loans. Participants in the IDA program will receive specialized financial and career enhancement counseling to assist them in their future economic advancement.

The proposed source of funding for these programs is BMR In-Lieu fees held by the City in the Housing Mitigation reserve. As was noted in the FY 2003/2004 Budget Transmittal Letter, Haseko Residential Inc. had contributed \$1.8 million of BMR In-Lieu fees to the City in 1991, as payment in-lieu of providing BMR ownership units (at that time) at the Lawrence/101 development project. Zoning of the project and the specific plan allowed for payment instead of providing the actual BMR units. The current estimate of the BMR In-Lieu reserve is \$3,309,741 which includes interest accumulated from 1991 to date. These funds are currently rolled up in the Housing (Mitigation) Fund, and are dedicated towards providing homeownership opportunities to low and moderate-income households.

EXISTING POLICY

Community Development Strategy (February 2003): In the Section on Homebuyer Assistance in Chapter VI, Programs, "this Community Development Strategy recommends creation of a new First Time Homebuyer Support Program to assist qualified renters (generally 70 to 120 percent of median income), particularly those in existing BMR at-risk apartments, to move into first-time homeownership. The program would include: homebuyer education workshops, Independent Development Accounts (IDA), with matching contributions to down payment savings accounts; and, down payment loans up

to \$25,000".

Housing and Community Revitalization Sub-Element: January 1999-June 2006 (January 2002):

GOAL E: Maintain and increase housing units affordable to households of all income levels and ages.

E.1.b. Comprehensively review and update the Below Market Rate programs to better address affordable housing needs.

City of Sunnyvale Consolidated Plan, 2000-2005 (April 3, 2000): The Consolidated Plan describes the City's strategy to be followed in carrying out grant programs funded by the Department of Housing and Urban Development. The 2001-2005 Strategic Plan includes planned activities to expand the City's BMR program, support rental and home buyers assistance and increase the supply of affordable housing.

Chapter 19.66 Sunnyvale Municipal Code (Revised February 4, 2003): The purpose of this chapter is to enhance the public welfare by ensuring that future housing development contributes to the attainment of the housing goals set forth in the general plan of the city of Sunnyvale by increasing the production of residential units affordable by households of very low, low and moderate income.

DISCUSSION

The CD Strategy included several programs to provide Homebuyer assistance, including the current program that provides ownership housing assistance to essential workers, to help in home purchase for City employees, employees of public schools serving Sunnyvale, and certified childcare workers. The proposed program, First-Time Homebuyer Support, would expand these efforts to address the special needs of low and moderate-income renters. The program will target renters housed in "at-risk" rental units to provide educational and financial support over several years so that they can succeed in their goals of homeownership, financial stability and creation of wealth for their families.

The CD Strategy recognized that creating a First-Time Homebuyer Support Program could not be achieved with existing staff. It recommends the addition of one full-time Housing Programs Analyst to manage the program. The additional staff and program costs are fully funded by the BMR In-Lieu fees. The Housing Programs Analyst will be responsible for initiating and administering the three key components of the First-Time Homebuyer Support Program in several phases over the next year: homebuyer education, Independent Development Accounts (IDA) and Down Payment Assistance Loans. Staff will seek specialized service providers to develop and provide homebuyer education workshops for qualified renters, with particular

emphasis on occupants of BMR rental units, beginning in October 2003. Participation in homebuyer pre-purchase workshops will be provided and required for purchasers of BMR units and participants in the IDA and down payment assistance programs. Post-purchase counseling for owners of BMR units will be offered to all BMR owners this year and bi-annual attendance required for all current and future BMR purchasers and First-Time Homebuyers. Recent studies have found that post-purchase education is the single most effective tool in the reduction of loan defaults and also limits the ability of predatory lenders to market high cost loans to homeowners.

The Housing Programs Analyst will collaborate with the Housing Officer to develop detailed administrative guidelines to present to Council on or about January 2004 to establish the IDA program, and in April 2004 to establish the down payment assistance program. This position will also provide staff support for activities related to the existing Below Market Rate Purchase and Rental Program and the Housing For Public School Employees, City Employees and Child Care Teachers Program.

FISCAL IMPACT

The CD Strategy described the First Time Homebuyer Support Program as a new program that would be fully funded by the BMR In-Lieu fee which is currently included in the Housing Mitigation reserve of the Housing Fund. As noted earlier, the current estimate of the BMR In-Lieu fee is \$3,309,741, which includes interest accumulated from 1991 to date. BMR In-Lieu fees are collected from multi-family residential real estate developers, and Housing Mitigation fees are collected from commercial real estate developers. Due to the different nature of the funding sources, staff proposes to track the BMR In-Lieu fee as a separate reserve and not be rolled up into the Housing Mitigation reserve. This will reduce the Housing Mitigation reserve from \$7,994,334 down to \$4,684,593, and set aside the balance of \$3,309,741 as the BMR In-Lieu reserve.

Approval of Budget Modification Number 6 would appropriate \$540,000 from the Housing Fund - BMR In-Lieu reserve to fund the First Time Homebuyer Support Program. The scope of this new project includes establishing IDA accounts (\$150,000), down payment loans (\$250,000), home buyer education (\$40,000), and program administration/implementation (\$100,000).

The funds appropriated through this budget modification represent expenditures needed for initial implementation of the First Time Homebuyer Support Program in FY 2003/04. The key areas to begin the implementation of the program include securing appropriate levels of staffing to design the program and develop homeowner/homebuyer education activities. The additional budget for the staff hours will be transitioned to the Housing and Human Services operating program in FY 2004/2005.

Budget Modification No. 6**FY 2003/2004**

Housing Fund / Housing Mitigation Sub-fund	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
<u>Expenditures:</u>			
New Project - First Time Homebuyer Support Program			
IDA accounts	\$0	\$150,000	\$150,000
Down payment loans	\$0	\$250,000	\$250,000
Home buyer education	\$0	\$ 40,000	\$ 40,000
Program administration /implementation	\$0	\$100,000	\$100,000
Total New Project	\$0	\$540,000	\$540,000
<u>Reserves:</u>			
Housing Mitigation Reserve	\$7,994,334	(\$3,309,741)	\$4,684,593
BMR In-Lieu Reserve	\$3,309,741	(\$ 540,000)	\$2,769,741

PUBLIC CONTACT

The Housing and Human Services Commission discussed the proposed program and the content of the report at their meeting of June 18, 2003. Public contact was made through posting of the council agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page, and the availability of the report in the Library and the City Clerk's office.

ALTERNATIVES


1. Approve Budget Modification Number 6 to allocate a project budget for the implementation of the First-Time Homebuyer Support Program and approve creation of a new staff position of Housing Program Analyst.
2. Do not approve Budget Modification Number 6, thereby delaying the implementation of the First Time Homebuyer Support Program.
3. Approve Budget Modification Number 6 as amended by Council.

RECOMMENDATION


Staff recommends Alternative 1.

Establish First Time Homebuyer Support Program and Budget Modification Number 6
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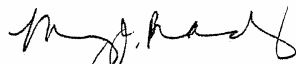
Prepared by:


Annabel Yurutucu
Housing Officer

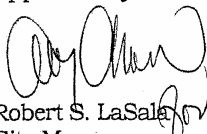
Reviewed by:


Robert Paternoster
Director, Community Development

Reviewed by:


Mary Bradley
Director, Finance

Approved by:


Robert S. LaSala
City Manager

Attachments

- A. Housing and Human Services Commission – Draft Minutes of Meeting of
June 18, 2003

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CITY CLERK
CITY CLERK

ATTACHMENT "A"

Housing & Human Services Commission - Draft Meeting Minutes of June 18, 2003

CITY OF SUNNYVALE
HOUSING AND HUMAN SERVICES COMMISSION
DRAFT MINUTES

Wednesday, June 18, 2003
7:00PM
City Hall - West Conference Room
Sunnyvale City Hall

1. ROLL CALL

PRESENT: Chair Nelson; Comms. Joshi; Lee; Pathak; Rowan; Silveira; and Smith

UNEXCUSED Comms. Iannotti and Richards
ABSENCE:

MEMBERS OF THE Vinay Bannai and Chad Steward
PUBLIC:

STAFF: Annabel Yurutucu, Housing Officer, Jennifer Coile, Consultant, and Anna Alderette, Recording Secretary

CALL TO ORDER

Meeting called to order by Chair Nelson at 7:05 p.m.

Introductions of Commission members and staff to newly appointed Comm. Steward.

2. APPROVAL OF DRAFT MINUTES April 23, 2003 and May 28, 2003

Comm. Rowan made a motion to approve the Draft Minutes of April 23, 2003, and Comm. Silveira seconded. Motion carried 6-1. Comm. Lee abstained.

Comm. Lee made a motion to approve the Draft Minutes of May 28, 2003, and Comm. Pathak seconded. Motion carried 5-2. Comms. Joshi and Lee abstained.

3. PUBLIC MEETING ITEMS

No items.

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4. COMMISSION NEW BUSINESS

A. Election of Officers.

CHAIR

Commissioner Silveira nominated Commissioner Kevin Lee for the position of Chair.

There were no further nominations for the position of Chair, and nominations were closed.

A vote was taken and Commissioner **Kevin Lee** was elected **Chair** of the Housing and Human Services Commission for 2003/2004. Motion carried unanimously 7-0.

VICE CHAIR

Commissioner Rowan nominated Commissioner Smith for the position of Vice Chair.

Commissioner Lee nominated Commissioner Silveira for the position of Vice Chair, Commissioner Silveira declined.

Commissioner Lee nominated Commissioner Rowan for the position of Vice Chair, Commissioner Rowan declined.

Commissioner Lee nominated Commissioner Joshi for the position of Vice Chair, Commissioner Joshi declined.

There were no further nominations for the position of Vice Chair, and the nominations were closed.

A vote was taken and Commissioner **Nancy Smith** was elected **Vice Chair** of the Housing and Human Services Commission for the year 2003/2004. Motion carried unanimously 7-0.

Commissioner Bannai arrived at 7:40 p.m.

5. COMMISSION OLD BUSINESS

A. Discuss final work plan and schedule for General Fund Outside Group Agencies RFP process.

Ms. Yurutucu presented the following as the final 2003-04 & 2004-05 Outside Groups - General Fund Request for Proposal Process & Meeting Schedule:

Monday, June 23, 2003

RFP Legal Notice published.

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Friday, July 11, 2003

RFP's mailed to agencies.

Friday, August 1, 2003

Proposals due from agencies at 4:00 p.m.

Wednesday, August 6, 2003

Copies of proposals distributed to HHSC for review.

Staff report with 02-03 agency performance report distributed to HHSC.

Wednesday, August 13, 2003

Outside Group Agencies make presentations to HHSC beginning at 6:30 p.m in the City Council Chambers.

Wednesday, August 27, 2003

HHSC completes funding recommendations for FY03-04.

Tuesday, September 16, 2003

Report to Council re. Housing & Human Services Commission funding recommendations.

6. HOUSING OFFICER'S REPORT

- A. Report on focus group actions to form Countywide Task Force (additional comments by Commissioner Lee).

Following is an overview of the presentation by Ms. Yurutucu and Comm. Lee regarding the meeting that took place on May 30, 2003:

Purpose:

The initial meeting was designed to determine the interest in the formation of a Countywide Fair Housing Task Force. Accordingly, the primary agenda was:

- the Mission and/or Focus of the proposed Task Force
- the Composition and Representative
- appropriate Next Steps

Mission/Focus:

Brainstorming Options:

More coordination of services

Focus on common issues

Increased visibility

Coordination between jurisdictions and FH service providers

Identification of current services and needs

Action on recommendations of countywide study

Securing additional money/resources

Networking with other collaboratives, such as homeless, domestic violence

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Community outreach, including focusing of outreach
Standardization of monitoring
Joint database and information sharing: for jurisdictions and service providers
Education of public
Advocacy role
Forum for common issues and actions
Tracking of related legislation
Inclusive intent: membership, actions, etc.
Possible tiering of structure
Work group that determines options and makes recommendations

Adopted Vision Statement (conceptual)

Task Force is to be a working group (vs. policy making)

Organized about 3 key elements:

Key Issues: identification and prioritization

Common Strategies: agreed upon action in response to issues

Securing Resources: coordination of existing resources, obtaining additional funds

The full Vision Statement will be written by Kevin Lee (City of Sunnyvale Housing & Human Services Commissioner, Vice Chair) and Ann Marquart (Project Sentinel, Executive Director).

Composition & Representation:

The following representative categories and number of individuals to participate constitute the recommended membership for the core Task Force. Categories represented by an (E) indicates appropriate participation in an expanded forum of the Task Force or related to specific issues.

- (5) Entitlement city/county staff
- (5) Entitlement funded fair housing agencies
- (2) Non-entitlement funded agencies dealing with fair housing (BALA, CRLA)
- (1) Housing Authority
- (2) Fair housing enforcement agencies (HUD/FHEO, DFEH)
- (E) Service providers for target population
- (E) Appointees of elected officials

Next Steps:

- Written Vision Statement generated and reviewed by today's participants (electronically).
- Authorization secured as needed by participating parties.
- Invitations and identification of actual representatives/members of the Task Force Entitlement city staff via the CDBG CC.
- Coordination of steps until 1st official meeting of the Task Force, targeted for September, to be provided by City of Sunnyvale.

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B. Report on establishing a First Time Homebuyer Support Program.

Jennifer Coile, consultant for City of Sunnyvale Housing Division, presented the following overview:

- The Community Development Strategy recommended the creation of a new First Time Homebuyer Support Program to assist qualified renters (generally 70 to 120 percent of median income), particularly those in existing BMR at-risk apartments, to move into first-time homeownership.
- The proposed program would include homebuyer education workshops, Independent Development Accounts (IDA) and downpayment loans up to \$25,000.
- The development of the new program would require the hiring of one additional full-time Housing Programs Analyst that will be funded by BMR In-Lieu Fees.

Chair Nelson asked if there were city staff or teachers living in BMR units.

Ms. Yurutucu stated that it is possible for teachers to live in BMR units, included that the program is designed to assist any individual who meets the program guidelines.

C. Upcoming actions related to Housing Programs in July.

Ms. Yurutucu voiced that the Report to Council re. Funding Request for a Contribution to the Housing Trust of Santa Clara County and Budget Modification and RTC re. Establish First Time Homebuyer Support Program of the Community Development Strategy - Schedule and Commitment of Resources are on the Council agenda for July 22nd.

4. COMMISSION OLD BUSINESS

No items.

5. HOUSING OFFICER'S REPORT

No items.

6. OPEN FORUM

Ms. Yurutucu asked the commission to cancel the July 23rd meeting, due to no scheduled items on the agenda and the meeting schedule to accommodate the General Fund Request for Proposal that requires two meetings scheduled in August on the 13th and 27th.

Chair Nelson made a motion to approve canceling the July 23, 2003 meeting, and Comm. Rowan seconded. Motion unanimous 7-0.

7. REPORT ON COUNCIL MEETINGS

Comm. Joshi voiced that there were no items relating to housing and gave an overview of

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the city budget issues from the meeting on June 10th.

8. ORAL COMMUNICATION

A. Housing & Human Services Commission

Chair Nelson thanked the Commission and staff for all their support during her time with the Commission.

B. Staff

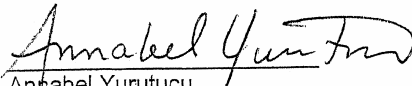
Ms. Yurutucu voiced the following:

- Grand opening ceremony for the Senior Center is scheduled on July 19th.
- 1st United Methodist Church, Sr. Nutrition Program, has invited HHSC and staff to lunch on July 17th.
- Meals on Wheels has invited HHSC for a ride along, contact staff to schedule if interested.
- Project Match is requesting additional funding through CDBG funding, and if funds should become available, staff will recommend increase.

ADJOURNMENT

Chair Nelson adjourned the meeting at 9:10 p.m.

Respectfully Submitted,


Annabel Yurutucu
Housing Officer